United Nations A/64/15 (Part I)

General Assembly

Distr.: General
16 March 2009

Original: English

Sixty-fourth session

Report of the Trade and Development Board on its forty-fifth executive session*

Geneva, 13 November 2008

* The present document is an advance version of the report of the Trade and Development Board on its forty-fifth executive session, held at the United Nations Office at Geneva on 13 November 2008. It will appear in final form, together with the reports of the forty-sixth executive session, the forty-seventh executive session and the fifty-sixth session of the Board, as *Official Records of the General Assembly, Sixtieth Session, Supplement No. 15* (A/64/15).

09-29262 (E) 070409

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I. Opening of the session

1. The session was opened by Mr. Debapriya Bhattacharya (Bangladesh), President of the Trade and Development Board.

II. Adoption of the agenda and organization of work
(Agenda item 1)

2. At its opening plenary meeting, the Board adopted the provisional agenda contained in document TD/B/EX(45)/1. Accordingly, the agenda for the executive session was as follows:

1. Adoption of the agenda and organization of work
2. Financing for development: Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus
3. Report of the Board on its forty-fifth executive session

III. Financing for development: Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus
(Agenda item 2)

President's summary

1. Highlights

3. An executive session of the Trade and Development Board was held on 13 November 2008 with the objective of formulating inputs to the preparation of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus in Doha, Qatar, from 29 November to 2 December 2008. It comprised two half-day discussion sessions with delegations from more than 100 countries. The programme of the executive session, the list of speakers and the list of participating countries are annexed.

4. The discussions at the executive session came at a particularly appropriate time, as developing countries were increasingly feeling the impact of the global financial crisis. It also gave an opportunity to member States to express their views on the objectives and process of a reform of global economic governance just two days before the G-20 summit meeting in Washington, D.C., was scheduled to launch a global effort to reform the international monetary and financial system. Eighteen delegations attending the executive session came from countries participating in the upcoming G-20 meeting.

5. Speakers generally emphasized that the present financial and economic crisis was a systemic one that called for comprehensive global solutions to stabilize the system and prevent similar crises in the future. Delegates recognized that, in dealing with the most pressing issues of the crisis in the past weeks, a shift in thinking had

taken place — from purely market-driven solutions towards measures involving an active role of the State. Countries affected by the crisis had expanded their policy space for actions that were unthinkable just months ago.

6. There was a general hope that the Doha conference would deliver more than a simple review of the implementation of the Monterrey Consensus. It should prepare the ground for a comprehensive follow-up to, and a strengthening of, the financing for development process. In doing so, it should help to put in place a new approach to development that would also take account of lessons to be learned from the financial crisis and the need to reform the international economic system in order to overcome the systemic weaknesses. The Board agreed that the current financial crisis showed the need, in an increasingly globalized economy, for stronger global economic governance, building on the principles of multilateralism with a clear set of global financial rules and regulations.

7. Most delegations expressed serious concerns about the spillover effects from the crisis in the financial sector into the real economy, and from the developed to the developing countries, which could lead to a severe setback in progress towards the Millennium Development Goals (MDGs). All developing countries and economies and transition are likely to feel the impact of the financial crisis and the recession in major developed countries. Least developed countries, landlocked developing countries, small island developing States and other structurally weak, vulnerable and small economies — as well as transit developing countries, middle-income countries and World Trade Organization-acceding countries — will all face special problems.

8. It was recognized that the severity and length of the recession would depend to a large extent on the economic and financial policy responses. The need for collective and well-coordinated international action in this regard was recognized. It also became clear that the mobilization of additional financial resources for development — in particular increased official development assistance (ODA) to meet the Millennium Development Goals — was becoming even more urgent with the spreading of the impact of the financial crisis.

9. There was broad agreement on the need to fundamentally examine the international financial system and to address the issue of systemic coherence in a meaningful manner. This process should be undertaken with the participation of all States. It was suggested that the United Nations had the universality of membership, the political credibility and the substantive competence to play a key role in the process of revising the global economic architecture, as well as the legitimacy and confidence of the global community to make that role viable.

2. Summary of the deliberations

10. Delegations commented on the progress achieved under the different chapters of the Monterrey Consensus and on further steps to be taken by the international community with regard to financing for development. The deliberations of the Trade and Development Board took place against the backdrop of the current financial crisis, its impact on developing countries and the systemic issues it raises.

11. Many delegations considered the progress in the implementation of the Monterrey Consensus to be modest, although significant progress was recognized in the area of debt relief for the poorest countries. ODA flows had increased, but actual disbursements were much lower than the commitments made, and fell short of the

requirements for meeting the MDGs by an estimated $150 billion annually. Moreover, it was noted that the ODA for economic infrastructure and the productive sectors had fallen relative to aid in the form of debt relief and for social and humanitarian purposes.

12. While great hopes had been attached to the Monterrey Consensus as an instrument to strengthen multilateralism for development, the years following the consensus had witnessed little progress in implementing international measures in support of financing for development. The financing for development process had to be strengthened and adapted to the changes that the world economy had undergone since 2002.

13. All delegations agreed that the crisis, perceived as the most serious one since the 1930s, revealed shortcomings not only in national financial governance but also in the management of the world economy and international financial markets. Efforts to regulate international finance, as well as macroeconomic coordination around the world, were judged to have been inadequate.

14. It was highlighted that the financial crisis had different impacts on different groups of countries, depending on their exposure to international financial markets and their economic and export structures. While most countries were likely to suffer from a fall in export volumes and reduced tax revenues, commodity exporters would also be affected by falling commodity prices. Foreign direct investment flows were likely to fall in the wake of a global economic downturn, with negative effects on many developing countries. Emerging market economies would feel the impact through reduced private capital inflows and higher costs of refinancing their external debt, while the poorer countries were particularly vulnerable to possible falls in ODA and migrants' remittances.

15. Many developing country delegations expressed serious concerns about a possible decline of aid flows precisely when there was a particular need to increase those flows to compensate for negative effects through trade.

16. Moreover, many delegations were preoccupied that the recession in the developed world economy could trigger new protectionist tendencies. Several delegations also expressed disappointment that the "development round" of World Trade Organization negotiations had not fulfilled its promises. It was considered more important than ever to bring this round to a conclusion that met the needs of developing countries.

17. Delegations attached certain hopes to the financial and macroeconomic policy responses in countries that were directly affected by the crisis. It was noted that, distinct from other experiences in the past, Governments had responded with the necessary countercyclical measures by providing financial support to large financial institutions in trouble and by designing programmes to raise demand.

18. Several delegations suggested that the issue of policy space for developing country Governments had acquired renewed pertinence in the light of the experience of some of the major developed countries, where Governments had created additional policy space in an effort to prevent the entire collapse of their national financial systems. Several delegations called for a revitalization of the role of the State in development. Regulation, rule-setting and oversight by Governments had to be strengthened, especially in financial markets, and Governments also had to step in where this was required by market failures.

19. Global arrangements that had a bearing on national policy space should be reviewed as the need for sufficient flexibility and policy scope to react to crisis situations had become very clear. It was considered necessary that the future global financial system be designed in a way that left appropriate policy space for any State to be able to prevent crises and to react when emergency situations occurred.

20. It was suggested that financial stability had become a global public good, and that its proper management required far-reaching reforms of the global economic governance system and the adaptation of institutions and instruments to the needs of the twenty-first century. An effectively operating multilateral monetary and financial system was necessary for countries to benefit from the opportunities offered by the multilateral trading system.

21. Therefore, great importance was attached to strengthened global cooperation on monetary and financial matters in order to ensure financial stability, advance the effective functioning of financial markets and minimize all possible negative impacts of financial volatility. The fundamental flaws in the international economic system with regard to accountability, transparency and prudence had to be addressed. These were all hallmarks of good governance, which had been observed neither by the international financial institutions nor in the countries where the current crisis originated.

22. Several speakers pointed to the important potential role of regional cooperation and regional monetary and financial institutions in the management of the global economic system and in mobilizing financial resources for development.

23. Many delegations welcomed the opportunity of the upcoming G-20 meeting in Washington, D.C., to initiate global considerations on systemic issues. The important role of the United Nations in this process was also underlined. Delegations noted that UNCTAD was well placed to address the persistent challenges of the global economic system with high-quality analyses and policy recommendations. It was recalled that UNCTAD had been one of the few institutions that had warned, in its *Trade and Development Reports* of the past years, of a global economic crisis, and had offered specific recommendations which could have averted — or at least meaningfully mitigated and prepared — for the crisis. Many delegations considered the United Nations to be the right forum to generate political consensus on basic principles of a multilateral financial order that allowed for smoother economic globalization.

24. The debate reflected broad agreement that the Doha conference must provide new impetus to the implementation of the Monterrey Consensus. It was also felt that it should contribute to ensuring that the current financial turmoil did not compromise the engagement of the international community in the financing of development. Moreover, it should strengthen the gender dimension and respond to new challenges, such as climate change, the food crisis and energy security.

3. Recommendations put forward by participants

25. Participants put forward important recommendations on all sub-themes of the Monterrey Consensus, especially with regard to sub-themes 4 and 6, which were perceived to be of particular relevance at the present juncture in the light of the current financial crisis and the looming recession in major developed countries. The sub-themes included:

Sub-theme I — Mobilizing domestic financial resources for development

(a) Developing countries should give heightened attention to the mobilization of domestic financial resources for development. In this regard, special attention should be given to enhance the role of the banking system in the financing of productive investment.

(b) Tax collection should be made more effective through greater transparency in rules and regulations. International cooperation in tax matters must be strengthened further.

Sub-theme II — Mobilizing international resources for development: foreign direct investment and other private flows

(a) All efforts should be made to avoid a fall in private capital flows to developing countries. Particular support should be given to South-South flows of foreign direct investment. The role of Sovereign Wealth Funds from developing countries in meeting the external financing needs of other developing countries should be strengthened.

(b) Efforts to reform the international financial architecture should aim at containing speculation in international financial and currency markets in order to reduce the instability of private capital flows to developing countries.

Sub-theme III — International trade as an engine for development

(a) It is of crucial importance for developing countries that the financial crisis and the slowdown in the growth of the world economy do not lead to a new wave of protectionism. Indeed, the deadlock in the Doha Round of international trade negotiations must be broken, and efforts to achieve an ambitious and balanced outcome that fully reflects the interests of developing countries, must be reinforced.

(b) In order to strengthen the role of trade as an engine of development, many developing countries, especially in Africa, need to address more actively supply-side constraints. These efforts must be supported by further opening of developed country markets for exports of interest to developing countries.

(c) The commodity problem must receive increased international attention. Reforms of the international financial system should also aim at reducing speculation in international commodity markets.

(d) The international community should support the efforts at the national level for the integration of local producers into international supply chains and innovative financing and risk management tools for agricultural commodity producers.

Sub-theme IV — Increasing international financial and technical cooperation for development

(a) Priority should be given to meeting the new challenges faced by the world's poor as a result of the financial crisis and the recession in the developed countries. Therefore, the Doha conference should pay particular attention to the continuation and further increase of ODA

flows, especially for countries whose Governments are suffering from a decline in public revenue as a result of the crises.

(b) The Doha conference should urge the implementation of aid commitments already made by bilateral donors to close the MDG financing gap. In this context, debt relief should not be considered as part of ODA.

(c) Increased official financing to assist developing countries is also necessary in order to help countries in coping with the ongoing food crisis.

(d) Aid effectiveness must be raised further. In order to be effective, aid must be provided on a predictable and sustained basis.

(e) The development of a framework for Aid for Trade is imperative for countries to reap the potential benefits from trade, as is the Enhanced Integrated Framework and the provision of additional resources for trade financing. These have become even more important in the face of the financial crisis and reduced access of developing countries to private financing.

(f) The international community should continue efforts to bring forward innovative financing mechanisms. These are becoming all the more important as new challenges arise, in particular meeting the challenge of adaptation to climate change and mitigation of its effects.

(g) A new facility for the International Monetary Fund should be created to stop the spillover of the crisis to middle-income countries. The capital of Sovereign Wealth Funds and foreign exchange reserves accumulated by a number of surplus economies should be used to mobilize additional financial support for countries in need.

Sub-theme V — External debt

(a) There is need for bolder initiatives to solve the external debt problems of the developing countries in an effective, equitable and development-oriented manner, particularly in the countries that will be the most affected by reduced foreign exchange incomes and higher costs of their external debt as a result of the financial crisis and the recession.

(b) It is important to achieve and maintain sustainable debt situations in developing countries. Debt sustainability strategies should be linked to a country's capacity to achieve its national development goals, including the MDGs.

Sub-theme VI — Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development

(a) In the short term, it is necessary to ensure a global policy response to restore global financial stability and economic growth. Measures to help financial market participants regain confidence and stimulate demand are required in order to combat a credit crunch and mitigate the impact of the financial crisis on output growth and employment. In order for such countercyclical action to be effective, fiscal as well as monetary policy

instruments should be used, and these policies should be implemented in an internationally well-coordinated manner.

(b) In the medium and long term, Governments must play a more active role in the management of the financial system, at both the national and international levels, by strengthening the regulation and supervision of financial intermediaries. Accountability of all actors and full transparency in financial markets have to be ensured.

(c) The role of credit rating agencies needs to be reassessed and their activities made subject to stronger public scrutiny.

(d) In order to avoid systemic crises in the future, and to reduce the risk of excessive and destabilizing speculation, early warning systems should be established at the national and international levels.

(e) The global financial system must be reformed around the core principles of transparency, integrity, responsibility, sound banking practice and international governance. Globally acceptable standards of supervision should be elaborated and applied equally and consistently in all countries.

(f) The international monetary and financial system must be better equipped with instruments to prevent prolonged exchange-rate misalignments and currency speculation. In order to achieve greater coherence between the international trading system and the international financial system, and to avoid large global current account imbalances, a multilateral exchange rate mechanism and macroeconomic policy must become central elements in a new global economic governance system.

(g) Monitoring and surveillance of the global financial system through an international body should be strengthened, and it should cover all economies of the world, especially those whose national economic policies and performances have an impact on the rest of the world. In this context, the Bretton Woods institutions may play an important role, but concerted efforts need to be taken to reform the International Monetary Fund.

(h) The debate on the lessons from the financial crisis and the process of reform of the international economic governance system must take place with universal, democratic and equitable participation of all States. Genuine efforts must be made to include developing countries in the decision-making and norm-setting processes of the key financial, monetary and trading institutions, and to strengthen their role in the management of global public goods.

26. There was a widespread view among delegations that the Doha conference should be seized to bring developing country concerns to bear on the process of consensus-building on a better international financial architecture. Because of its broad political legitimacy, and adequate representation of different groups of developing countries, the United Nations system was perceived as having a particular legitimacy to play a key role in international financial reform. UNCTAD was called upon to help contain the negative effects of the financial crisis on

developing countries, building on its proven competence in policy analysis and technical cooperation.

IV. Report of the Board on its forty-fifth executive session
(Agenda item 3)

27. At its closing plenary meeting, the Trade and Development Board authorized the Rapporteur to finalize the report on its executive session.

Annex I

Programme, Thursday, 13 November 2008

President: H.E. Ambassador Debapriya Bhattacharya (Bangladesh)

10 a.m.	**Plenary meeting**	Room XXVI

Opening of the session

Item 1. Adoption of the agenda and organization of work (TD/B/EX(45)/1)

Item 2. Financing for development: Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus (TD/B/EX(45)/2)

- Opening statement by Mr. Supachai Panitchpakdi, Secretary-General of UNCTAD
- Statement by the Honourable Kwaku Agyemang Manu, Deputy-Minister of Trade and Industry, Ghana

Lead speakers

- H.E. Mr. Mothae Anthony Maruping, Ambassador, Permanent Representative of Lesotho
- H.E. Mr. Peter Gooderham, Ambassador, Permanent Representative of the United Kingdom
- H.E. Mr. Vassily Nebenzia, Deputy Permanent Representative, Permanent Mission, Russian Federation

Followed by

- Statements by regional groups and individual member States

3 p.m.	**Videoconference link with New York**	Room XXVI

- Mr. K. S. Jomo, Assistant Secretary-General, Department of Economic and Social Affairs (DESA)

Followed by

- Mr. Heiner Flassbeck, Director, Division on Globalization and Development Strategies, UNCTAD

Interactive discussion

Item 3. Report of the Board on its forty-fifth executive session

Annex II

List of speakers at the forty-fifth executive session of the Trade and Development Board

Morning session

Opening statements

- Mr. Supachai Panitchpakdi, Secretary-General of UNCTAD
- Honourable Kwaku Agyemang Manu, Deputy-Minister of Trade and Industry, Ghana

Lead speakers

- Mr. Mothae Anthony Maruping, Ambassador, Permanent Representative of Lesotho
- Mr. Peter Gooderham, Ambassador, Permanent Representative of the United Kingdom
- Mr. Vassily Nebenzia, Deputy Permanent Representative, Permanent Mission, Russian Federation

Groups

- G77 and China: Mr. Mothae Anthony Maruping, Ambassador, Permanent Representative of Lesotho
- European Union: Mr. Jean-Batiste Mattéi, Ambassador, Permanent Representative of France
- Asian Group: Mr. I Gusti Agung Wesaka Puja, Ambassador, Chargé d'affaires, Permanent Mission of Indonesia
- GRULAC: Barbados Ms. Corlita Babb-Schaefer, Counsellor, Permanent Mission of Barbados
- African Group: Mr. Bamanga Abbas Malloum, Ambassador, Permanent Representative of Chad
- Group D: Ms. Karabaeva Madina, Attaché, Permanent Mission of Kyrgyzstan
- Landlocked developing countries (LLDCs): Mr. Rigoberto Gauto Vielman, Ambassador, Permanent Representative of Paraguay
- Least developed countries (LDCs): Mr. Dinesh Bhattarai, Ambassador, Permanent Representative of Nepal

Individual delegations

- China, Mr. Chen Jianping, Deputy Permanent Representative
- Japan, Mr. Makio Miyagawa, Ambassador, Deputy Permanent Representative
- Azerbaijan, Mr. Elchin Amirbayov, Ambassador, Permanent Representative

Afternoon session

Panellists

- Mr. K. S. Jomo, Assistant Secretary-General, Department of Economic and Social Affairs (by video-conference with New York)
- Mr. Heiner Flassbeck, Director, Division on Globalization and Development Strategies, UNCTAD

Individual delegations

- Pakistan, Ms. Tehmina Janjua, Deputy Permanent Representative
- Venezuela (Bolivarian Rep. of), Mr. German Mundarain Hernandez, Ambassador, Permanent Representative
- Turkey, Mr. Ali Sait Akin, Deputy Permanent Representative
- Iran (Islamic Rep. of), Mr. Alireza Moaiyeri, Ambassador, Permanent Representative
- Thailand, Mr. Vijavat Isarabhadki, Chargé d'Affaires, a.i., Ambassador, Deputy Permanent Representative
- Mexico, Mrs. Mabel Gómez Oliver, Ambassador, Deputy Permanent Representative
- Trinidad and Tobago, Mr Dennis Francis, Ambassador, Permanent Representative
- Norway, Ms. Bente Angeli-Hansen, Ambassador, Permanent Representative
- India, Ms. Nutan Kapoor Mahawar, First Secretary, Permanent Mission
- Yemen, Mr. Ibrahim Al-Adoofi, Ambassador, Permanent Representative
- Morocco, Mr. Anas Alami-Hamedane, First Secretary, Permanent Mission
- Ecuador, Mr. Carlos Santos, Counsellor, Permanent Mission
- Malaysia, Mrs. Anizan Siti Hajar Adnin, Deputy Permanent Representative
- Angola, Mr. Rui Livramento, Economic Advisor, Permanent Mission
- Egypt, Mr. Hisham Badr, Ambassador, Permanent Representative
- El Salvador, Ms. Carmen Elena Castillo-Gallandat, Minister Counsellor

Civil society organizations

- International Chamber of Commerce, Ms. Jacqueline Côté, Permanent Representative
- Oxfam International, Mr. Ataollah Shafii, Policy Advisor

Annex III

Attendance[a]

1. Representatives of the following States members of the Trade and Development Board attended the session:

Afghanistan
Albania
Algeria
Angola
Argentina
Australia
Austria
Azerbaijan
Bangladesh
Barbados
Belarus
Belgium
Benin
Bhutan
Brazil
Bulgaria
Cameroon
Canada
Chad
Chile
China
Colombia
Congo
Costa Rica
Croatia
Cuba
Cyprus
Czech Republic
Djibouti
Dominican Republic
Ecuador
Egypt
El Salvador
Estonia
Ethiopia
Finland
France
Gabon
Germany
Ghana
Greece
Haiti
Honduras
Hungary
India
Indonesia
Iran (Islamic Republic of)
Iraq
Israel
Italy
Jamaica
Japan
Kazakhstan
Kuwait
Lebanon
Lesotho
Lithuania
Madagascar
Malaysia
Mali
Mauritania
Mauritius
Mexico
Mongolia
Morocco
Mozambique
Nepal
Nicaragua
Nigeria
Norway
Oman
Pakistan
Panama
Paraguay
Peru
Philippines
Portugal
Qatar
Romania
Russian Federation
Rwanda
Serbia
Singapore
Slovakia
South Africa
Spain

[a] For the list of participants, see TD/B/EX(45)/Inf.1.

Sweden
Syrian Arab Republic
Thailand
The former Yugoslav Republic of Macedonia
Trinidad and Tobago
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
Uruguay
Venezuela (Bolivarian Republic of)
Viet Nam
Yemen
Zambia
Zimbabwe

2. Representatives of the following States members of UNCTAD that are not members of the Trade and Development Board attended the session:

Cambodia
Cape Verde
Holy See
Kyrgyzstan
Lao People's Democratic Republic
Niger
Swaziland
Uzbekistan

3. The following observers attended the session:

Palestine

4. The following intergovernmental organizations were represented at the session:

African, Caribbean and Pacific Group of States
African Union
Agency for International Trade Information and Cooperation
European Community
League of Arab States
Organisation internationale de la francophonie

5. The following United Nations organs, programmes or bodies were represented at the session:

Food and Agriculture Organization of the United Nations

6. The following specialized agencies or related organizations were represented at the session:

International Labour Organization
United Nations Industrial Development Organization

7. The following non-governmental organizations were represented at the session:

General Category
International Chamber of Commerce
Oxfam International
Village Suisse ONG